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**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**

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DIA and DOS review(s) completed.

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2. USSR RESUMES GOLD SALES IN WESTERN EUROPE

25X1A Comment on:

The USSR has again been selling gold on European markets during recent weeks, according to financial circles in London. Soviet gold bars worth \$7,000,000 were delivered to London by ship on 18 November.

The USSR has sold more than \$180,000,000 worth of gold during the first nine months of this year, already exceeding the total sale in any recent year. Sales totaling \$150,000,000 in both 1953 and 1956 were motivated by foreign exchange requirements for loans to the satellites and, to a lesser extent, by Soviet foreign trade needs.

Since the fall of 1956, the USSR has agreed to provide more than \$225,000,000 in foreign exchange loans to the satellites.

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3. NOVOTNY ELECTED CZECHOSLOVAK PRESIDENT

25X1A Comment on:

The election of Czechoslovak Party First Secretary Antonin Novotny as President of Czechoslovakia concentrates more political power in the hands of a Czechoslovak leader than at any time since the death of

former President Gottwald in 1953. This combination of offices will give him the dominant voice in both state and party affairs and is a departure from the principle of collective leadership which the satellites have followed in the post-Stalin era.

This concentration of power in Novotny's hands at the expense of his alleged rival, Premier Siroky, is probably aimed at ensuring the continued stability of the leadership. Siroky, in nominating Novotny for the presidency before a special session of the National Assembly in Prague, claimed that the election of the party first secretary to this post would establish "the supreme role of the party in the nation's life."

During his tour of Czechoslovakia in July, Khrushchev publicly displayed his strong preference for Novotny over other members of the Czech party and government and is probably convinced that Novotny is the strongest and most loyal Communist in Czechoslovakia. The new Czech President will probably continue the regime's orthodox policies.

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4. EAST GERMAN - SOVIET TALKS ON VISA AUTHORITY

Comment on:
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[Redacted]

East Germany began talks with Soviet Deputy Foreign Minister Zorin in East Berlin on 18 November concerning transfer of authority for issuing visas for

travel in the German Democratic Republic (GDR), according to a report received by the United States mission in Berlin. East Germany hopes the USSR will limit its visa issuance authority to American, French, and British diplomats crossing East Germany and Allied military personnel traveling between West Germany and Berlin. In all other cases Allied nationals, including diplomats and military personnel wishing to travel within East Germany, would have to apply to the GDR for a visa. Western retaliation against East German travelers in the West would be met by a ban on all transit traffic between the Federal Republic and West Berlin except that of diplomats and military personnel.

A treaty outlining visa sovereignty would formalize provisions enumerated in the letters exchanged by the Soviet and East German foreign ministers on 20 September 1955. This would affect the small number of American officials who travel in East Germany and would establish an important principle upon which GDR sovereignty could be more firmly based. Extension of East German visa requirements to the American military mission in Potsdam would indicate the Kremlin's preparedness to risk the loss of its own military mission in West Germany.

5. TENSIONS INCREASE IN AUSTRIAN COALITION

25X1A Comment on:

Differences between the two government parties in Austria--the conservative People's party and the Socialists--have become "more acrimonious than

at any time since the May 1956 elections" and a period of serious government indecision is in prospect, the US embassy in Vienna reports. Neither party, however, is likely to force new elections.

Personality conflicts and domestic issues are at the root of the current difficulties. Chancellor Raab, partially incapacitated since last August when he suffered a slight stroke, is reported "explosively angry" with Socialist Vice Chancellor Pitterman. Differences over administration of the national radio and revision of the income-tax law are the major sore spots, although corruption charges involving high People's party officials have added to the bitterness.

Pitterman's obstinacy on these issues also reflects preparation for a new basic policy declaration at the 21 November Socialist congress. The new party position is expected to be moderate and "non-Marxian," and will be more palatable to Austrian left-wingers if Pitterman has just demonstrated that he can "stand up to" the conservative People's party.

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7. THE SUDAN'S LATEST PRICE CUTS UNLIKELY TO
MOVE COTTON SURPLUS

25X1A Comment on:

[REDACTED]

The decision by the Sudanese government on 17 November to cut in half the export duty on cotton and to reduce further the prices of higher grades of cotton is unlikely to result in the sale of the bulk of the Sudan's cotton surplus.

The Sudan has on hand the equivalent of 430,000 US bales of unsold long-staple cotton. Khartoum's failure to market the bulk of its cotton crop--the mainstay of the country's economy--is largely the result of the government's belief that because the Soviet bloc purchased large amounts of Egyptian cotton, the free world would be willing to pay premium prices for Sudanese cotton. However, there is a world surplus of long-staple cotton.

Reduction of the export duty lowers the average spot price--including tax--of the Sudan's long-staple cotton from 68.29 US cents per pound to about 64.00 US cents. The spot price of comparable Egyptian cotton--the Sudan's chief competitor--was 63.08 US cents per pound on 13 November. While these prices appear close, transportation costs from Port Sudan to European markets add substantially to the price of Sudanese cotton compared with Egyptian shipments from Alexandria. In addition, Cairo has been giving most Western buyers discounts amounting to a minimum of 5 percent. Although a British Foreign Office official expressed the belief that this latest move would bring British buyers back into the Sudanese market, judging by three previous reductions the Sudan's newest price cut is not likely to be sufficient to attract buyers for the bulk of the surplus.

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8. THAI MILITARY GROUP MAY BE READYING DRIVE
AGAINST PRO-COMMUNISTS AND PHIBUN SUPPORTERS

25X1A Comment on:

There are growing signs that Marshal Sarit and the ruling Thai military group may be preparing for a roundup of both pro-Communist elements and suspected adherents of ousted Premier Phibun and Police Director General Phao. Recent efforts by the government to moderate the extreme leftist tone of much of the Bangkok press through selective censorship have failed, and the ruling clique may now feel more drastic steps are necessary.

A military spokesman stated on the 19th that the armed forces, under semialert since 14 November, had been put in a "state of preparedness" as a "routine" measure designed to cope with any possible Communist subversion or attempted comeback by the Phibun- Phao group.

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25X1C [redacted] the alert to the impending purge of 150 army officers suspected of supporting Phibun or Phao. In addition, the Bangkok press has been full of statements by Thailand's military leaders alleging an increase in Communist activities and plotting by followers of Phibun and Phao.

With elections for the National Assembly less than a month away, Sarit may also be motivated by a desire to crack down on pro-Communist elements so as to minimize the prospects for leftist gains. He might even use such a drive as a pretext for postponing the elections.

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9. JAPAN ASKS US FOR AIR-TO-AIR GUIDED MISSILES

25X1A Comment on:

Japan's growing skepticism as to the adequacy of its defense establishment in the face of rapid guided-missile developments has resulted in an Air Self-Defense Force request that the United States make available air-to-air guided missiles for Japanese F-86F aircraft. Prime Minister Kishi is anxious to obtain an agreement for the purchase of air-to-air missiles by the time the regular Diet session begins early in December.

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Defense officials have intimated that, while they favor purchasing American missiles in order to maintain over-all defense cooperation with the United States, further refusal to release them on security grounds may force Japan to turn to the British for the Fire Streak, which is being considered, or to other sources which may be developed by a Japanese technical research mission now in Europe.

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10. JAPANESE ATOMIC BOMB VICTIM OFFERED
TREATMENT BY USSR

25X1A Comment on:

[Redacted]

The USSR may be planning to exploit Japanese sensitivity over nuclear warfare and sympathy for the still numerous victims of World War II atomic bombings by contrasting its "humanitarian attitude and peaceful pose" with "Western indifference." The Soviet embassy in Tokyo has notified the Japan Council of A-Bomb Victims that the USSR will provide medical treatment for a victim of the atomic bombing of Nagasaki.

The fact that the functions of the American Atomic Bomb Casualty Commission in Japan, a private organization which is a field agency of the US National Academy of Sciences, do not include medical treatment but are limited to conducting research on atomic bomb victims has aroused considerable bitterness in Japan. Lack of American medical aid has enhanced the ability of neutralist and anti-American groups to exploit the atom hysteria of the Japanese people.

The only official American offer of medical aid was made in the case of Japanese fishermen who were "dusted" by radioactive fallout during American atomic tests at Bikini in 1954. This offer was refused partly because of emotional tensions generated by the incident and partly because of Japan's conviction that medically it was better able to handle the situation because of its previous experience. Several unofficial offers of aid also have been refused on similar grounds, although the Japanese accepted the plastic surgery program for the "Hiroshima maidens."

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11. POLITICAL-MILITARY CRISIS DEVELOPING IN HONDURAS

25X1A Comment on:

[redacted] A new crisis of serious proportions is developing in Honduras just as the country seemed about to return for the first time in three years to constitutional government. Colonel Oswaldo Lopez, the [redacted] defense minister who became a member of the governing military junta on 17 November, is making an all-out bid for a constitutional provision that would give the armed forces dominant power. By qualifiedly "accepting" the constituent assembly's election on 15 November of the popular Liberal leader--Dr. Ramon Villeda Morales--as constitutional President, Lopez obviously hopes to put the Liberal-dominated assembly in his debt. If the Liberals block the constitutional provisions proposed by Lopez, he may align himself with Villeda's uncompromising opponents in the minority Nationalist and Reformist parties, which apparently prefer continued army rule to Villeda's inauguration.

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25X1 [redacted] Without support from the armed forces, Villeda could not take office in December or January as planned. [redacted]

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